

ALLY FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 91/2025

30 May 2025

CORPORATES

Issuer Rating: BBB+
Outlook: Stable

Last Review Date: 31/05/24

Company Rating History:

Date	Rating	Outlook/Alert
13/05/22	BBB+	Stable

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RATIONALE

TRIS Rating affirms the issuer rating on Ally Freehold and Leasehold Real Estate Investment Trust (ALLY) at “BBB+” with a “stable” outlook. The rating reflects the trust’s growth prospects in revenue and earnings for 2026-2027, supported by improving performance of existing assets and potential contribution from new acquisitions. The rating also takes into consideration the trust’s highly predictable cash flow from contract-based rental income, moderate financial leverage, and adequate liquidity position. However, the rating remains constrained by the trust’s modest scale and concentrated asset portfolio.

KEY RATING CONSIDERATIONS

Modest scale with portfolio concentration

We consider the trust’s portfolio to be modest in scale, with investment properties at fair value of THB12.7 billion and a total net leasable area (NLA) of 164,556 square meters (sq.m.). The portfolio comprises leasehold and freehold interests in 13 community malls and one office building. However, the trust’s overall performance remains highly dependent on three key assets located in just two areas: Crystal Design Center, The Crystal Ekamai-Ramintra, and The Crystal SB Ratchapruek. These three properties account for 55% of total NLA as well as contribute approximately 60% of total revenue and 70%-80% of EBITDA. As a result, any adverse events affecting one of these major assets could have a material impact on the trust’s overall performance.

Enlarged portfolio by future assets in pipeline

ALLY’s credit profile reflects its growth potential through new asset acquisitions, either from KE Group, existing partners, or new alliances. KE Group currently holds a portfolio of one community mall and one lifestyle office building. ALLY holds the first right to acquire assets from its existing partners. The trust typically targets mature properties with stable occupancy rates (OR) and rental income that meet its investment criteria.

The trust has a concrete plan to acquire two small-scale malls, T Ten by Village Hub and Village Hub Sai Mai, in the third quarter of this year. The properties offer a combined NLA of around 5,800 sq.m. and are nearly fully occupied. The total investment size is modest at THB46 million, representing less than 1% of the trust’s current total asset value.

Under our base-case scenario, we project ALLY to acquire new medium-scale community malls valued at THB1.6 billion in 2026 and THB0.5 billion in 2027. These acquisitions are expected to increase the trust’s NLA by approximately 35% by 2027. Community malls will continue to dominate the portfolio, accounting for 98% of total NLA, while the contribution from the office segment will remain minimal. The expansion in scale, driven by quality assets, should support stronger income and earnings growth, while enhancing cash flow diversification over the long term.

Expected revenue and earnings growth in 2026-2027

We expect ALLY’s total operating revenue and earnings to slightly drop this year, with moderate growth projected in the following years. This growth will be supported by consistently high OR, a recovery in average rental rates (ARR), and ongoing portfolio expansion.

The trust's total operating revenue declined by 5% in 2024 and by 6% year-on-year (y-o-y) in the first quarter of 2025 (1Q25). EBITDA also fell by 5% in 2024 and 10% y-o-y in 1Q25. The decline in revenue and earnings was primarily driven by weaker OR and ARR at The Crystal SB Ratchapruek, one of the trust's three key assets, due to intensified competition and road surface renovations in the surrounding area. To maintain acceptable occupancy levels, ALLY has continued offering rental discounts to tenants at this property.

Looking ahead, ALLY plans to undertake a major renovation of the Crystal Design Center in 2025, along with minor renovations and rebranding efforts for four to six malls over 2025-2026. As a result, we expect a slight decline of around 2% in total operating revenue and EBITDA in 2025. From 2026 to 2027, ALLY's performance is expected to improve, driven by 5%-10% same-store rental and service income growth, supplemented by contribution from newly acquired assets. We forecast total operating revenue to soar to THB1.8-THB2.0 billion and EBITDA to rise to THB900 million-THB1 billion, with an EBITDA margin of 50%-52%. These projections are based on the assumption that the trust maintains an OR above 90% across its portfolio in 2025-2027. While we anticipate ARR to decline by 2%-3% in 2025-2026 due mainly to potential tenant discounts at The Crystal SB Ratchapruek and other assets undergoing renovation, a modest recovery in ARR is expected in 2027.

Reliable cash flow from contract-based income

We view the trust's rental and service income as highly predictable, supported by a lease structure in which most tenants are bound by three-year contracts. Around 80% of the occupied area is under fixed-rent agreements, while the remaining portion operates on revenue-sharing terms. Based on the current lease profile, 45% of the occupied area is set to expire in 2025, 33% in 2026, and 20% in 2027, with the remainder expiring from 2028 onward. The trust has maintained a strong lease renewal rate, averaging approximately 90% over the past three years.

As part of its strategy to increase foot traffic, the trust's shopping malls emphasize a tenant mix that delivers engaging in-store experiences. Each mall's tenant composition is thoughtfully curated to reflect the lifestyles and preferences of the local population within its catchment area, focusing on meeting the daily needs of surrounding communities. As of the end of March 2025, tenants in the food and beverage category occupied 19% of the total occupied area, followed by home and furniture at 15%, and supermarkets at 12%. Other lifestyle-related categories, including beauty and health, education, entertainment, fitness, and fashion, each accounted for approximately 5% to 10% of the occupied area.

Moderate financial leverage, with capital injection anticipated in 2026

Given the planned portfolio expansion in 2025-2027, we expect the trust to maintain its financial leverage, as measured by the adjusted net debt to EBITDA ratio, below 6.6 times throughout the forecast period. Under our base-case scenario, we forecast total investments of THB2.3 billion over the next three years, driven by new asset acquisitions and lease extensions. We anticipate that the trust will finance the majority of these investments through debt, supplemented by an equity injection of THB1 billion in 2026. As a result, the loan-to-value (LTV) ratio, excluding lease liabilities, is expected to remain stable at 27%-28% over the forecast period. The adjusted net debt to EBITDA ratio is projected to rise to around 5 times in 2025, before gradually declining to 4.4 times by 2027.

The financial covenants on ALLY's debt obligations require the trust to maintain the debt-to-equity ratio below 1.5 times, the interest-bearing debt (IBD) to EBITDA ratio (excluding lease liabilities) below 5.5 times, and LTV ratio (excluding lease liabilities) below 50%. As of March 2025, the debt-to-equity ratio was 0.6 times, the IBD to EBITDA ratio was 4.5 times, and the LTV ratio was 27%. We believe the trust should have no problems complying with the financial covenants over the next 12 to 18 months.

Adequate liquidity

We assess ALLY's liquidity position as adequate over the next 12 months. As of March 2025, the trust's liquidity sources include THB205 million cash on hand, THB425 million investments in securities at fair value, and THB194 million undrawn committed credit facilities from banks. We project funds from operations (FFO) to remain around THB600 million in 2025. In addition, ALLY holds unencumbered assets with a market value of THB3.2 billion, which can be used as collateral if necessary.

Expected uses of funds in 2025 include debt repayments totaling THB153 million, maintenance capital expenditures equivalent to 3% of total rental and service income, and dividend distributions of at least 90% of adjusted net investment income.

Debt structure

As of March 2025, ALLY's total debt, excluding lease liability, was THB3.7 billion. All debts were secured long-term loans from bank, pledged by some assets of the trust. The ratio of secured debt to fair value of total assets was 27%, below the threshold of 35% according to TRIS Rating's "Rating Methodology for Real Estate for Rent Companies".

BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for ALLY's operations in 2025-2027:

- Maintain a portfolio-wide average OR above 90%
- Average rental rate to decrease by 2%-3% in 2025-2026, but to improve by 2% y-o-y in 2027
- Total operating revenue to range from THB1.6-THB2.0 billion
- EBITDA margin to hover around 50%-52%
- New asset acquisition and lease extension totaling THB2.3 billion

RATING OUTLOOK

The "stable" outlook reflects our expectation that ALLY's property portfolio will continue generating a steady stream of cash flow over the forecast period. We anticipate the trust will maintain a high OR and achieve favorable rental rates as targeted. Additionally, ALLY is expected to uphold a conservative financial policy by keeping its loan (excluding lease liabilities) to total asset ratio below 35%. Considering the shorter remaining lease duration, we expect the trust to maintain the adjusted net debt to EBITDA ratio of below 6.6 times throughout the forecast period.

RATING SENSITIVITIES

The rating and/or outlook on ALLY could be revised downward if the trust's operating performance and/or financial profile deteriorates more than expected. An increase in the adjusted net debt to EBITDA ratio above 6.6 times for a prolonged period could prompt a negative rating action. Conversely, an upward revision may be considered if the trust significantly improves its cash generation while maintaining its current financial profile.

COMPANY OVERVIEW

ALLY, originally named Bualuang K.E. Retail Leasehold Real Estate Investment Trust (BKER), was founded in November 2019 as part of the process to convert the CRYSTAL, a property fund, into a real estate investment trust (REIT). The CRYSTAL was established and listed on the Stock Exchange of Thailand (SET) in 2013. Upon the conversion in November 2019, BKER acquired CRYSTAL's entire property portfolio (The Crystal Ekamai-Ramintra and Crystal Design Center) and invested in an additional eight community shopping malls from six project owners. In 2021, BKER was renamed to ALLY and expanded its investment portfolio to cover all types of commercial properties. KE Group, through its subsidiaries, has been the trust's major unitholder with 22.4% stake as of 30 December 2024. ALLY REIT Management Co., Ltd. (ARM) and The K.E. Group Co.,Ltd., KE Group's subsidiaries, acts as the trust's REIT manager and property manager, respectively.

After the conversion in 2019, the trust's property portfolio consisted of 10 community shopping malls. The trust acquired two community shopping malls in 2021 and one office building in 2022. The trust successfully acquired a new community mall, "Happy Avenue Don Muang" to its portfolio in May 2024 with a total investment of THB225 million. The property has around 4,300 sq.m. of NLA. As of March 2025, ALLY had 14 properties with a total net leasable area of 164,556 sq.m.

KEY OPERATING PERFORMANCE

Table 1: ALLY's Property Portfolio

	Crystal Design Center	The Crystal Ekamai-Ramintra	The Crystal SB Ratchapruek	Amorini	I'm Park	Plearnary	Sammakorn Place Ramkhamhaeng
Type	Community mall	Community mall	Community mall	Community mall	Community mall	Community mall	Community mall
Location	Bangkok	Bangkok	Bangkok	Bangkok	Bangkok	Bangkok	Bangkok
Net leasable area (sq.m.)	35,957	30,823	24,540	5,213	6,719	11,429	10,302
OR (%) (as of 31 Mar 2025)	93.5	99.5	87.6	82.9	96.8	87.6	93.0
Investment at fair value (Mil. THB) (as of 31 Mar 2025)	3,813	2,940	1,699	282	244	835	568
Remaining leasehold period (years)	24	24	18	24	9	24	24

	Sammakorn Place Rungsit	Sammakorn Place Ratchapruek	The Scene Town-in-Town	Kadfarang Village	The Crystal Chaiyapruek	The Prime Hua Lamphong	Happy Avenue Don Muang
Type	Community mall	Community mall	Community mall	Community mall	Community mall	Office	Community mall
Location	Bangkok	Bangkok	Bangkok	Chiangmai	Bangkok	Bangkok	Bangkok
Net leasable area (sq.m.)	3,389	4,618	6,895	7,005	9,010	4,330	4,325
OR (%) (as of 31 Mar 2025)	89.9	81.4	98.4	96.2	86.3	100	89.4
Investment at fair value (Mil. THB) (as of 31 Mar 2025)	205	302	658	378	358	196	254
Remaining leasehold period (years)	24	24	20	26	17	18	Freehold

Source: ALLY

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	381	1,614	1,699	1,591	1,127
Earnings before interest and taxes (EBIT)	194	816	859	778	530
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	194	835	880	799	551
Funds from operations (FFO)	140	611	669	640	405
Adjusted interest expense	54	225	211	159	146
Investments in freehold and leasehold properties at fair value	12,731	12,667	12,613	12,497	12,162
Total assets	13,640	13,587	13,614	13,508	13,094
Adjusted debt	3,984	4,028	3,793	3,796	3,562
Adjusted equity	8,506	8,417	8,536	8,456	8,393
Adjusted Ratios					
EBITDA margin (%)	51.0	51.8	51.8	50.2	48.9
Pretax return on permanent capital (%)	6.2 **	6.3	6.6	6.1	4.4
EBITDA interest coverage (times)	3.6	3.7	4.2	5.0	3.8
Debt to EBITDA (times)	4.9 **	4.8	4.3	4.7	6.5
FFO to debt (%)	14.8 **	15.2	17.6	16.9	11.4
Debt to capitalization (%)	31.9	32.4	30.8	31.0	29.8

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Rating Methodology for Real Estate for Rent Companies, 16 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Ally Freehold and Leasehold Real Estate Investment Trust (ALLY)

Issuer Rating:	BBB+
Rating Outlook:	Stable

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